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***'The expectations government and grant makers will have beyond 2010, and the challenges charities will face.'***

You shouldn't criticise or pick a fight with a national treasure like Joanna Lumley. Look what happened to Gordon Brown and the government when they ignored her campaign for the Gurkhas. But sometimes even national treasures like Joanna Lumley say daft things.

Two years ago, when Lumley was voted Britain's Most Admired Charity Champion, she said that people who want to give money to charity should; 'Chuck it all up in the air and see where it lands.'

Not to put too fine a point on it, I think that is nonsense.

I recently wrote something on NPC's blog, which attracted some criticism. The post explained why I don't support animal charities. My argument, put simply, was that I thought it was wrong that The Donkey Sanctuary gets £3 million pounds more each year in donations than the top three domestic violence charities put together.

Now, I don't have anything against donkeys. What I am against is such an obvious imbalance in funding. It suggests that the sum of charitable giving, the sum of all our individual acts of giving along with those of government acting in our name, shows little regard for impact or need. You might say such giving is a result of human idiosyncrasies. Even so, it is hard to defend the donkey/domestic violence inequality. And I object to our idiosyncrasies.

At the crux of my article was the belief that we need more rational giving guided by results if we are to get the most out of charities. Not 'throw it up in the air' giving, or giving dictated solely by what tugs our heartstrings. But charitable giving which gives thought to what our money actually achieves.

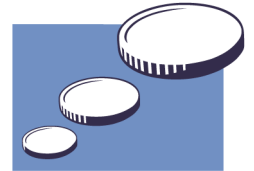
Of course, giving should be enjoyable—it should always be a mix of the head and the heart—but I want charities to reach their potential to create real, meaningful impact in people's lives.

Going back to domestic violence for a minute, at NPC we know of several charities which are developing effective and innovative ways of dealing with this entrenched problem.

CAADA, for example, the awkwardly named Co-ordinated Action Against Domestic Abuse, is a charity that works to build professional advocacy services in the domestic violence sector. Its training has become the industry standard, raising the bar for the quality of support for women. CAADA has also invested in improving the evidence base for advocacy, helping projects to win more support from statutory agencies. For example, its evaluation shows that domestic abuse stops in 7 out of 10 cases dealt with by trained advisors. These impressive results deserve to be rewarded and this is a charity in which people should be investing.

What we need to realise is that charities are not just ways of feeling less guilty about our income, our good fortune, our relative luck, or just some way of 'giving back'. Charities offer ways of fixing problems and making the lives of many very unfortunate people much better. Unless we realise this we will not get maximum value out of charities.

I was asked to talk today about what expectations I think government and grant makers will have beyond 2010 and also what challenges I think charities will face.



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When it comes to expectations I think that all funders will be singing off the same hymn sheet. Everyone will expect evidence of impact. Money will be too tight and resources too stretched for it to be any other way.

This expectation from funders, while wholly reasonable, will prove to be a considerable challenge for many charities. We come across a lot of charities in our work at NPC. We analyse a number against a selection of criteria, from whether they have strong leadership, and have ambition, to whether they can provide evidence of results. In the majority of cases, while we hear a lot of talk about the importance of measuring impact and see plenty of good intentions, we find too few charity leaders investing time or money in actually doing it well.

The head of NPC's own measurement team recently told me that she met one charity chief exec who described evaluation as something that gets done 'on a Friday afternoon'. I don't know how productive you feel on a Friday afternoon, but I wouldn't say it's the time to start thinking about how to evaluate the impact a charity achieves. Rather it should be embedded in the charity's regular work.

Please note that I do not think that investing in impact should only be charities' responsibility. In fact, at NPC we spend a lot of time talking to funders as well, and convincing them of the need to invest in evaluation of the projects they fund. A smart and wise person once said to me 'Funders get the sector they deserve' and that phrase continues to ring true.

It is a plain and simple fact that measuring and demonstrating the impact of a charity's work requires investment. But this investment can pay off. Just recently we helped one charity in Scotland to produce a Social Return on Investment, a variation on standard cost-benefit analysis, which showed that for every £1 funders invest in the charity's services, it generated a social return worth £2.50. The charity used this research to attract several hundred thousand pounds in donations from a funder—almost a quarter of its income.

But it is not simply that it can be beneficial for charities to measure their impact. It is increasingly necessary.

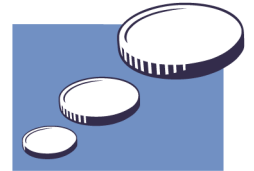
Charities should pay heed to the Public Administration Select Committee report last year which said it was unable to corroborate the claim that; 'Third sector organisations can deliver services in distinctive ways which improve outcomes for service users.' It was unable to corroborate this because of a lack of evidence.

With public spending cuts inevitable in 2010 and beyond; and a growing number of charities providing public services for government; charities will need to be able to demonstrate evidence of their impact if they are to retain government funding. No charity is out of the firing line of public spending cuts.

And charities face inherent disadvantages. For example, some are agitated by a recent statement from Health Secretary, Andy Burnham that the 'NHS is our preferred provider'. Leaving aside the merits of this, charities are understandably nervous about its implications.

It would be bad if public spending cuts were to fall on good charities. To stop this happening good charities need to find a way to differentiate themselves. As I am a one club golfer, to me the answer to everything is more evidence and communication of impact.

Charities must show local authorities that they provide a valuable service that they can't afford to cut. They have to show government that they have cost effective approaches that demonstrably deliver results.



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Look at the example of Macmillan Cancer Care, who we recently interviewed for an article on public spending cuts. Macmillan recognises there are going to be spending cuts, but to ensure the government doesn't 'slash and burn', they are supporting an NHS scheme to reduce the amount of time cancer patients spend in hospital.

Macmillan argues that at present poor care leads to repeat hospital visits, operations that need to be corrected later on, and intensive late treatment of cancers that could have been dealt with earlier. By improving the care patients can receive outside of hospital, and giving them the skills and support to look after themselves better, Macmillan is showing the government how they can reduce the £2 billion spent on in-patient cancer care while at the same time producing better results for patients, who want to be in hospital for as little time as possible.

The fiscal environment looks set to dominate how the sector gets treated, whichever party is in power after the election.

Charities have done well out of public spending increases in the past decade. Which is just as well because private giving has not prospered. Chief Secretary to the Treasury, Liam Byrne, said in a speech last week that 'charitable giving has risen dramatically.' I think that is a tad confused. Since 1996/97, charitable giving has increased almost 40%, exactly in line with GDP. We have not increased the share of our income given to charities. That is not a dramatic increase in giving. Moreover, the proportion of the population giving has fallen markedly, from two thirds of the population in the late 1990s to just over half today. That is a dramatic fall. On current trends the share of the population donating to charities will fall below 50% in the next few years.

So, private giving is not increasing as a share of GDP; fewer of us are giving at all; and currently individual giving is falling, by 11% last year. While high-end giving—gifts of £1 million or more—is falling more sharply still. Spending by foundations too is set to suffer and while many are putting a brave face on things, the reality is likely to be bleak. And this as the public purse strings tighten inexorably.

Both major political parties are sympathetic to the charitable sector, its role and its potential. But charities should be aware that, while the Tories want to be as enamoured with the sector as Labour, they have already said they are keen to put more pressure on charities to demonstrate their impact.

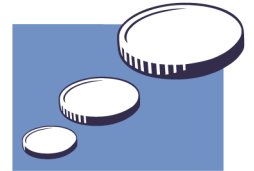
Nick Hurd, the shadow charities minister, said recently; 'Both public and private funders will demand fewer anecdotes and more measurement,' adding that there needs to be, 'an important cultural change in the way that Government commissions'.

He has also said that the Tories will want; 'contracts to be based on outcomes not processes'.

Back in November 2007 I gave a lecture at the RSA criticising the fact that charities were just about the only group left in society whose performance was seen to be above question or scrutiny. A charity's value, I lamented, was too often an article of faith.

I argued that this failure to assess charities paved the way for poor performance, a lack of accountability, and quite frankly a risk of private donors' and taxpayers' money going down the drain. That, too, got me into some hot water. Strikingly, though, few people seemed to object to my point about the lack of evidence.

I think the point about evidence remains true today; charities are too often under little obligation to demonstrate their impact, even as things are no changing.



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Two years on, I think I have a better understanding of why things haven't changed. Charities need more help measuring their impact.

Help from funders in paying for it.

Help from people like NPC in building the tools and measurement systems to carry it out.

And help from those people within the charity who hold the purse strings and who make the decisions about whether to invest in measuring impact.

The need for help is why we at NPC set up our measurement team, which is now well-developed. And it is why as another project I recently set up the charity Pro Bono Economics, which as the name suggests, matches economists with charities in need of measurement help.

One might argue that if economists are the answer, the question is certainly wrong; especially given the failings of economics in recent years. But economists have skills and mindsets that are unusual in charities and can be put to good use.

NPC is making a big effort to help charities because we know it is difficult to demonstrate impact. It doesn't mean it can't be done, it just means that it needs time, investment, and support to make it happen.

One example of a tool we're developing is a questionnaire currently being piloted with Barnardo's and The Princes' Trust, which is designed to help charities measure the impact of their work on children's well-being. This is based on a belief that one can measure happiness in a rigorous and useful way. Results so far are extremely encouraging. But this has taken more than a year to develop and has had no external funding support because it didn't fit neatly into a grant-maker's programme.

We want to challenge charities to achieve impressive results and to raise their accountability to funders and to themselves—indeed we feel there is no alternative—but we also want to help them achieve this. As I said earlier it is not that charities are ignorant about the need to measure their results. In fact, more and more, charities are coming to realise the benefits on offer from measuring, understanding, demonstrating, and communicating impact.

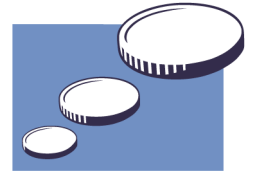
They recognise that knowing their charity's results helps them to allocate resources more strategically, enabling services to be adapted and improved.

Like Elmore Community Services, a small charity in Oxford working with people with multiple problems—homelessness, mental health issues, drug addictions and so on. It uses the 'Outcomes Star' to measure its clients' progress across a range of areas—including 'risky behaviour' and 'personal responsibility', as well as 'harder' goals such as 'accommodation'. By collecting and analysing these results, Elmore has learnt that its most successful work is with those people who have a very low starting score on each scale, the ones with the most entrenched problems. This had led the charity to focus more attention on this group of people.

And they recognise that knowing results allows them to engage with funders and win their support, even if the cause their charity addresses is unappealing.

The Lucy Faithfull Foundation for example, helps paedophiles control their behaviour. Its emphasis on a coherent narrative and evidence of impact, led four substantial donors to fund the charity through NPC.

And finally they recognise that knowing their results enables them to differentiate your charity from others.



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The Place2Be, a charity working in primary schools, is a shining example of effectiveness in NPC's eyes, and is loved by donors because of its focus on results, its ability to demonstrate these and its culture of caring about performance and being accountable to funders.

Before I go any further, let me take a step back and explain just what I mean when I talk about impact. For me it's simple—impact is about what a charity achieves.

It's not about counting how many people have attended an employment course or how many people have received debt advice. It's what happens to those people.

Whether they go on to find work as a result of the course.

Whether they put a plan in place to get out of debt and follow this plan.

These are the results which matter.

Put plainly, demonstrating impact is about being able to provide evidence that a charity's work has changed policy, changed attitudes or changed people's lives directly.

And providing evidence of impact is just half of the equation. Charities also need to find interesting and compelling ways to communicate this impact. They should think of it as a balance between the right, emotional side of the brain and the left, rational side.

For every story charities should give a piece of analysis or a figure. For every softer case study pulling on heart strings, they need to back it up with some harder hitting numbers or statistics.

At NPC we have a phrase, 'no numbers without stories, no stories without numbers.' This combination of stats and stories is essential if charities are to communicate successfully with all their different audiences, from the commissioners who want facts and figures, through to the private donors who might find real life stories more meaningful.

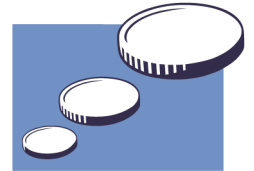
In this speech today, I've spoken mainly about the challenge facing charities in measuring and demonstrating their impact. But there is another challenge facing charities which I think is equally pressing and which is key to the charity's commitment to measuring its results—the strength of its trustee board.

When we recently produced a report on governance in UK charities called *Board matters*, it seemed to hit a raw nerve. Lots of people got in touch and offered to help us with further work. The funders of the original report thought it was such an important issue that they have paid us to carry out more research on the topic over the next three years, and to push the agenda for change.

In producing the report our analysts spoke to a number of experts, from government to foundations, charities and voluntary sector bodies. All agreed on one thing: most boards still had lots of room for improvement. As one funder put it, 'If we insisted on good standards of governance, then we wouldn't give many grants.'

Weak governance is something that organisations can get by with for long periods without apparent cost if they have great staff. But it is rather like building a house on sand rather than rock. When the rains come the structure can't survive. Often it is only when times are tough that poor governance becomes obvious.

Charities need to look to fix problems with governance now, whether it be poor induction, a lack of diversity on the board, or a failure to evaluate the board's achievements, if they are to make their charity battle-ready for the months and years ahead.



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I think we're going to be seeing a lot of changes in the charity sector beyond 2010. More mergers and collaborations for one. This isn't necessarily a bad thing, but again it's something that charities should be thinking about sooner rather than later. Mergers aren't to be taken lightly and I'd much rather mergers happened as a matter of choice, as a means of achieving the best possible results for people in need of help, rather than as an emergency last measure due to a financial crisis. At present I'm worried that a recent Charity Commission survey on how charities would respond to the recession showed that just 3% of charities said they had considered merging. Only 3% had even considered it!

If we are to come out strong from this recession, then we have to see the opportunities on offer as well as the challenges.

An opportunity for charities to work harder at understanding exactly what they achieve, and to find new, innovative ways of measuring and demonstrating this.

An opportunity for them to review services, to see what works, what doesn't, what wastes money.

And finally an opportunity for charities to shape dialogue with donors and funders based around what really matters, the impact their work has on people's lives.

A few of you may have heard a colleague of mine speaking at an Institute conference a while back, who said his dream was to have an impact manager in every charity. He argued that accountants can lead the revolution to make this happen.

I think this is a slightly strong statement. Even so, accountants are numerate, they can be more analytically minded than others, and these together mean they often have a deeper understanding of the need to invest in building evidence. Accountants have a role to play in changing charities' mindsets about the importance of measuring results.

In reality, I think donors' and funders' expectations in 2010 and beyond will be the same as they have always been: they want to see that their money is achieving something meaningful and is not going to waste. The difference will be that there is now more pressure on charities to meet these expectations.

I hope even Joanna Lumley would agree with that and accept we must meet those expectations. I also believe we can meet them.

Thank you

***Martin Brookes was speaking at the ICAEW Charity & Voluntary Group Annual Conference  
17 & 24 November 2009***